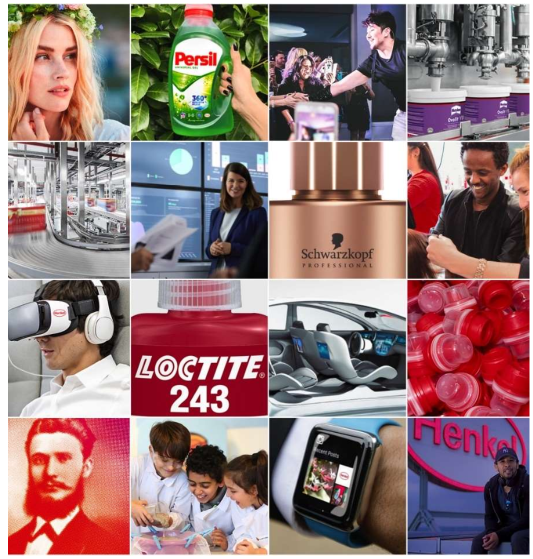
Henkel Q3 2018

Hans Van Bylen, Carsten Knobel
Düsseldorf, November 15, 2018



Henkel

Commented Slides / Earnings Conference Call Q3 2018
November 15, 2018

Henkel representatives
Hans Van Bylen; Henkel; CEO
Carsten Knobel; Henkel; CFO
& Investor Relations Team

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Hans Van Bylen, CEO:

Dear Investors and Analysts,

Good morning from Duesseldorf and welcome to our earnings call for the third quarter of 2018.

I would like to begin by reminding everyone that the presentation, which contains the usual formal disclaimer to forward-looking statements within the meaning of relevant US legislation, can be accessed via our website at henkel.com/ir.

The presentation and discussion are conducted subject to the disclaimer. We will not read the disclaimer, but propose we take it as read into the records for the purpose of this conference call.

Agenda

1. Key Developments Q3 2018
2. Financials Q3 2018
3. Outlook FY 2018 & Summary

Today I am going to lead you firstly through the key developments of the third quarter in 2018.

Then, Carsten will comment the detailed financials.

After that, I will close my presentation with the guidance for fiscal year 2018 and the key take-aways.

And finally, Carsten and I will take your questions.

Operating in a heterogeneous environment

Q3 2018 key macroeconomic developments

Strong industrial production[1]

Moderate global GDP growth, IPX remains strong

Currency devaluation

Continued headwinds from key Emerging Market currencies

HPC environment mixed

Markets slightly improving while competitive/pricing pressures persist

Commodity inflation

Increasing direct material price pressure and highly volatile markets

[1] Source: IHS Markit Q3 2018

Let me start with an overview on key macroeconomic developments impacting our businesses.

Henkel operates in a continuously heterogeneous environment.

The overall economy is characterized by a moderate global GDP growth.
The industrial production index remained strong also in the third quarter of 2018. However, against the background of increasing geopolitical and economic risks and as a result of the trade tensions we are facing an environment of higher uncertainty and volatility.

In the consumer goods markets, there are first indications of a slight improvement in underlying demand, however, with continued high competitive intensity and an ongoing price and promotion pressure especially in key mature markets.

Looking at FX, we see continued headwinds from key emerging market currencies such as the Turkish Lira or the Russian Ruble, which devaluated significantly compared to the prior-year quarter. The US-dollar, in contrast, slightly appreciated against the euro.

At the same time, we faced intensifying direct material price pressure including market shortages and force majeures. Furthermore, markets continue to be highly volatile as can be seen by the strong movements in crude oil prices.

Good profitable growth in Q3 2018

Sales	Organic Growth	Adjusted EBIT	Adjusted EBIT %	Adjusted EPS Growth
€ 5.0 bn	+2.7%	€ 926 m	18.4%	+2.6%

- Good organic sales growth driven by strong performance of Adhesive Technologies
- Consumer goods businesses improved thanks to very strong Emerging Markets performance
- Top and bottom line continued to be adversely impacted by FX
- Strong improvement in Adj. EBIT Margin supported by cost management focus and Adhesive Technologies
- Adjusted EPS above previous year, improving quarter-by-quarter

In this environment, Henkel achieved good profitable growth in the third quarter of 2018, further increasing sales, adjusted EBIT and adjusted earnings per preferred share.

The good organic sales growth at 2.7% was driven by the strong performance of Adhesive Technologies. Beauty Care and Laundry & Home Care improved their performance year-over-year thanks to very strong growth in the Emerging Markets.

Group sales were also supported by ongoing double-digit increase in digital sales, with a particularly strong performance in our consumer businesses.

Overall sales amounted to 5 billion euros, nominally 1.1% above the prior year. Also in the third quarter, FX headwinds had a strong negative impact on our top line with minus 3.2%.

Adjusted EBIT came in at EUR 926 million. We continued on our profitable growth path, increasing the adjusted EBIT margin to a new high of 18.4%, up 40 basis points. This was supported by our strong cost management focus as well as the strong improvement of Adhesive Technologies.

Despite continued negative FX headwinds of minus 2.6% as well as increasing direct material price pressure on the bottom line, we grew the adjusted earnings per preferred share by 2.6% to 1.58 euros. Excluding FX, we continued to deliver a strong operational EPS performance of 5.2%. Carsten will talk about the ongoing FX-headwinds and direct material price pressure on our P&L later on.

Adhesive Technologies

Continued strong performance in Q3 2018 with all business areas contributing

Sales	Organic Growth	Adjusted EBIT	Adjusted EBIT Margin
€ 2.4 bn	+3.8%	€ 466 m	19.6%

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Let me now go through our business units starting with Adhesive Technologies.

The business unit continued its profitable growth path and once again delivered a strong performance both on top and bottom line.

In the third quarter of 2018, Adhesive Technologies achieved strong organic sales growth of 3.8%. All business areas contributed to this strong momentum, General Industry and Electronics, in particular, delivered very strong growth.

In a challenging environment with intense direct material headwinds, the business unit accelerated the implementation of pricing measures. Q3 was the fifth consecutive quarter with rising price increases positively affecting the business unit’s gross margin. Together with the execution of our Fund Growth initiatives this led to a record high adjusted EBIT margin level of 19.6%.

Adhesive Technologies

Highlights Q3 2018

- **Industrial Maintenance**
  Significant growth with efficient solutions for repair and overhaul of pipes and machines
- **Semiconductor Packaging**
  Significant growth driven by market trends towards smaller devices and higher functionality
- **Aerospace**
  Double-digit growth with high-performance solutions for aircraft manufacturers

Let me highlight some examples among the initiatives that contributed to the continued strong performance of Adhesive Technologies.

We achieved significant growth with high-impact solutions for Industrial Maintenance.
For example our efficient solutions for the repair and overhaul of pipes and machines help our customers to save cost while at the same time ensuring highest safety and performance standards.

In the Semiconductor Packaging Business we delivered significant growth thanks to our broad technology and application know-how.
Our solutions enable our customers to quickly react to market trends towards ever smaller devices, higher functionality and improved reliability.

In the Aerospace business, we achieved double-digit growth. This was in particular driven by our new, high performance solutions for the latest generation of narrow body aircrafts and the increasing demand for commercial air travel.

Beauty Care

Positive organic growth at consistently high profitability level

Sales	Organic Growth	Adjusted EBIT	Adjusted EBIT Margin
€ 1.0 bn	+0.5%	€ 182 m	18.3%

Beauty Care achieved positive organic sales growth of 0.5% in the quarter.

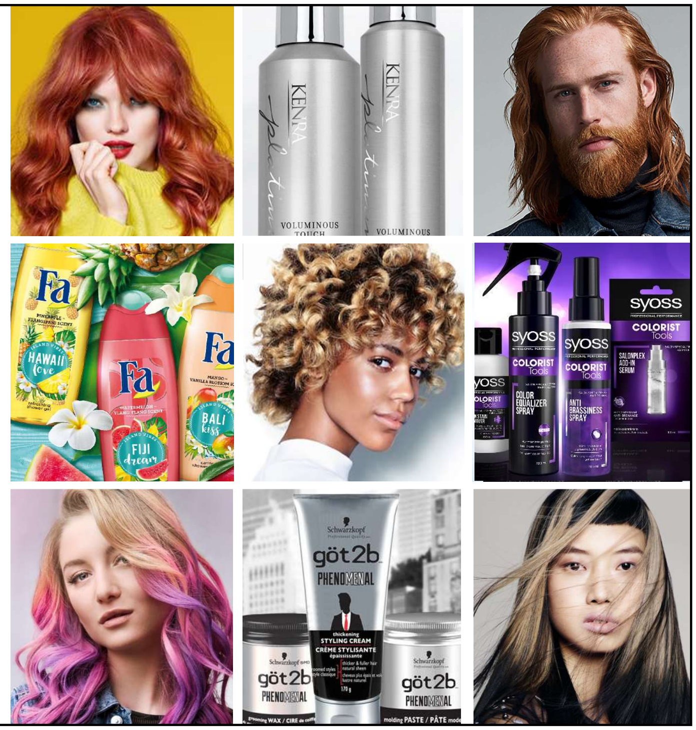
The Hair Professional business continued its successful development and achieved very strong organic sales growth. The top line in Retail remains under pressure, especially with organic sales development in North America below expectations.

At the same time we increased profitability and achieved an adjusted EBIT margin of 18.3%. Also here, our Fund Growth initiatives had a positive impact.

Beauty Care

Highlights Q3 2018

- **Hair Professional**
  Very strong growth momentum, fueled by Mature and Emerging Markets
- **Eastern Europe**
  Very strong organic growth, driven by key categories Hair and Body
- **got2b Styling and Color**
  Double-digit organic sales growth thanks to successful launches



Let me highlight some Beauty Care categories and regions that showed a compelling performance.

The Hair Professional business showed a very strong growth momentum, further enhancing its market position in both mature and emerging markets. Growth was especially driven by our Schwarzkopf Professional brands such as BLONDME as well as Kenra.

In Eastern Europe, we delivered very strong growth, driven by our key Hair and Body categories. Successful existing brands such as Syoss Color and new brands such as Nature Box contributed to this development.

Also, we achieved double-digit growth with our strong got2b brand, thanks to the successful launches in both Styling and Color.

Laundry & Home Care

Good organic growth driven by Emerging Markets

Sales	Organic Growth	Adjusted EBIT	Adjusted EBIT Margin
€ 1.6 bn	+2.5%	€ 294 m	17.9%

Laundry & Home Care delivered good organic sales growth of 2.5% in Q3, driven by double-digit growth in the Emerging Markets.

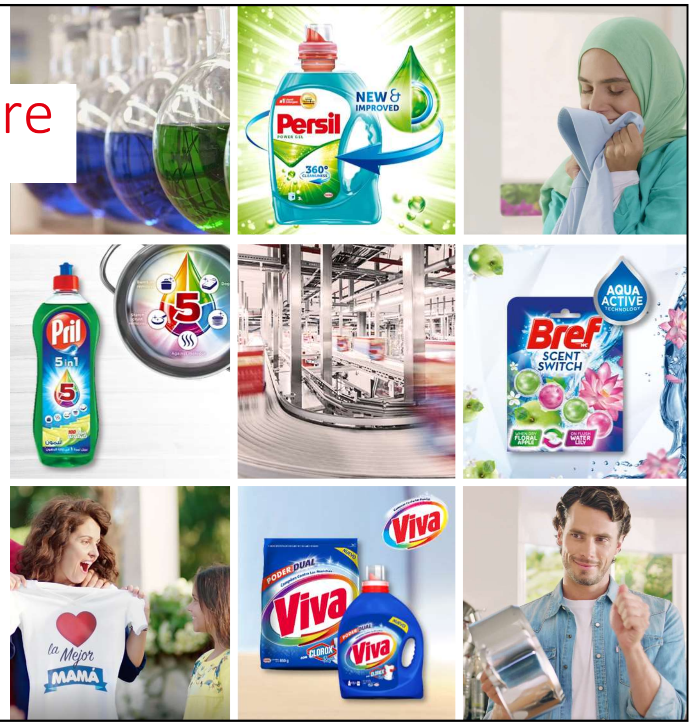
Organic sales growth in Laundry Care was good. Home Care recorded strong growth.

In a continuously highly competitive environment, the business unit faced intensifying direct material headwinds. Thanks to the good progress in the Sun integration as well as the implementation of our Fund Growth initiatives, the adjusted EBIT margin level remained at prior-year level at 17.9%.

Laundry & Home Care

Highlights Q3 2018

- **Middle East / Africa**
  Double-digit growth driven by continued momentum of premium detergent business
- **Hand Dishwashing**
  Double-digit growth coming from successful Pril relaunch across regions
- **Latin America**
  Double-digit growth and market share expansion thanks to successful launches



Let me come to the highlights of our Laundry & Home Care business unit.

Middle East/Africa continued its very strong momentum in the third quarter of 2018 with double-digit growth. This was driven by the ongoing success especially of the premium detergent business across the region.

The Hand Dishwashing business also delivered double-digit growth thanks to the successful global relaunch of Pril.

In Latin America, we achieved double-digit growth as well as market share expansion driven by successful relaunches, for example under the local Viva brand. Within the region our continued success in the important Mexican market was a major contributor.

With this I hand over to Carsten.

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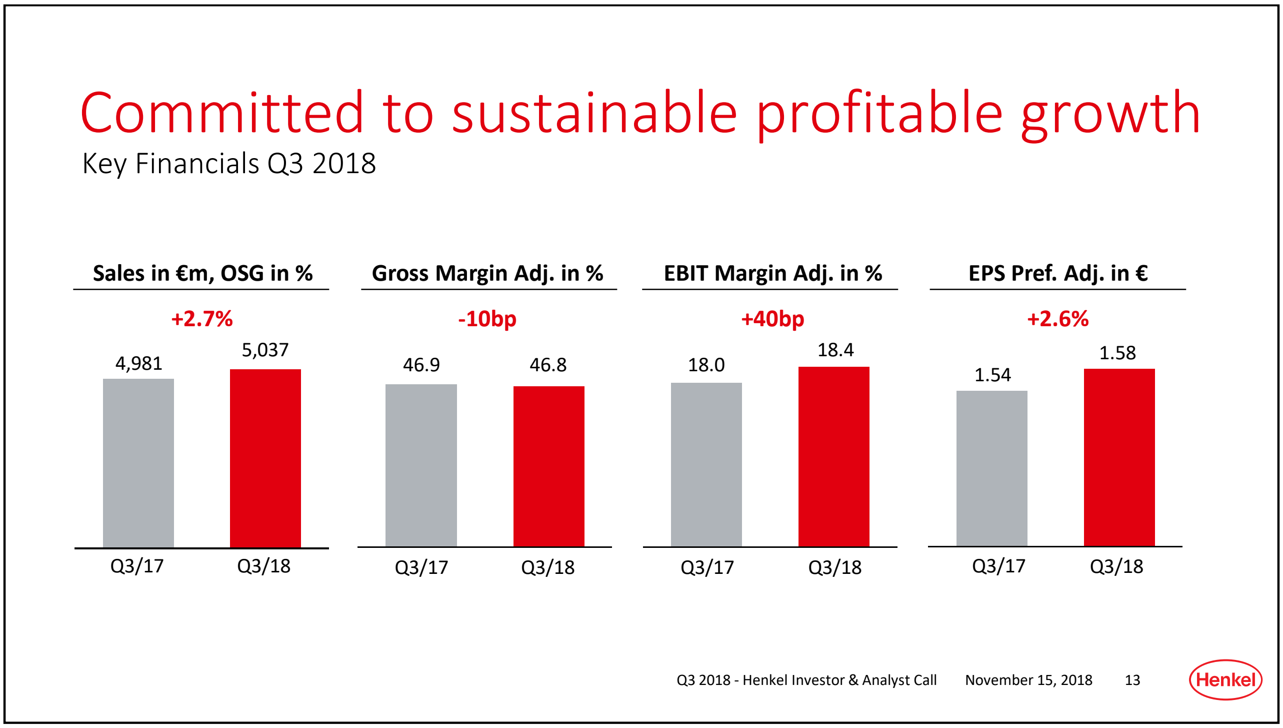
Carsten Knobel, CFO:

Thank you, Hans, and good morning everyone.

Let us now have a look at the financials of the third quarter of 2018 in more detail.



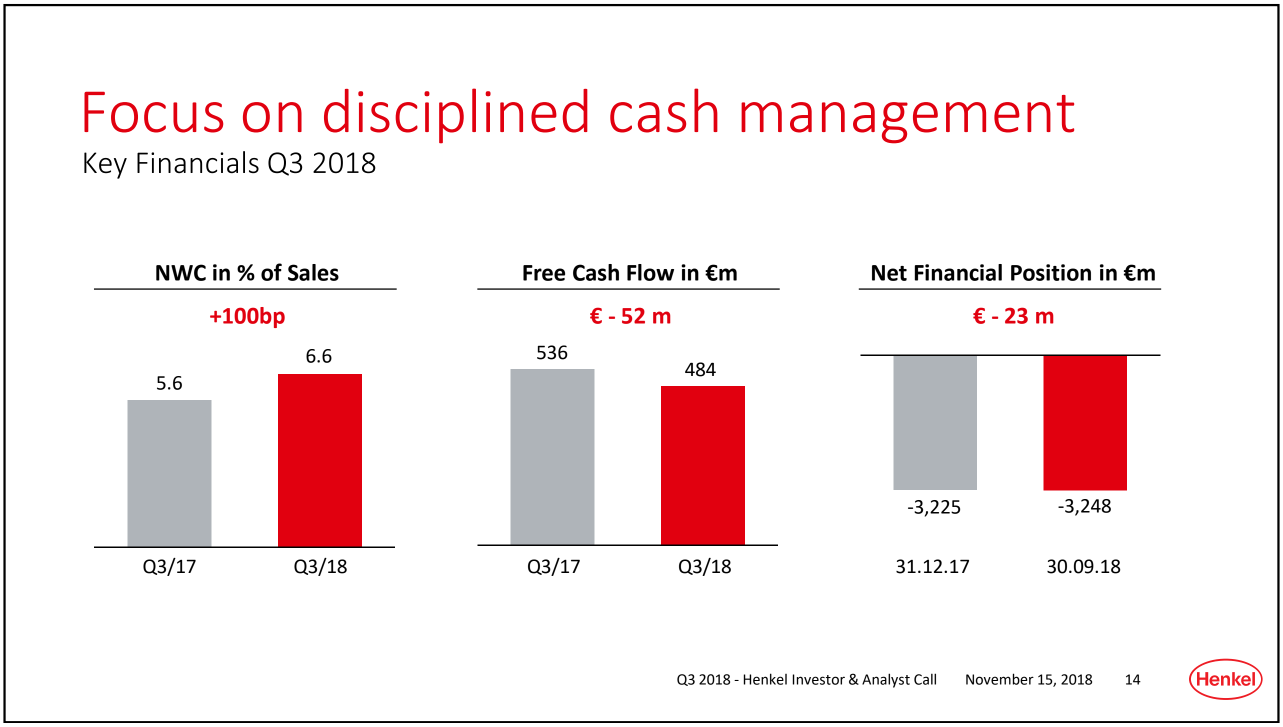
In the third quarter of 2018, Henkel showed a good growth momentum.

Overall, we generated EUR 5,037 million, 1.1% up from previous year level in nominal terms, still negatively impacted by FX. We delivered an organic sales growth in good terms of 2.7%.

Thanks to our successful pricing initiative, and I will comment on that later, we could compensate for intensified direct material headwind. And as a result, the adjusted gross margin was roughly flat at 46.8%.

We continued to increase the adjusted EBIT margin now to a new high of 18.4%. This is 40 basis points up compared to the prior year level.

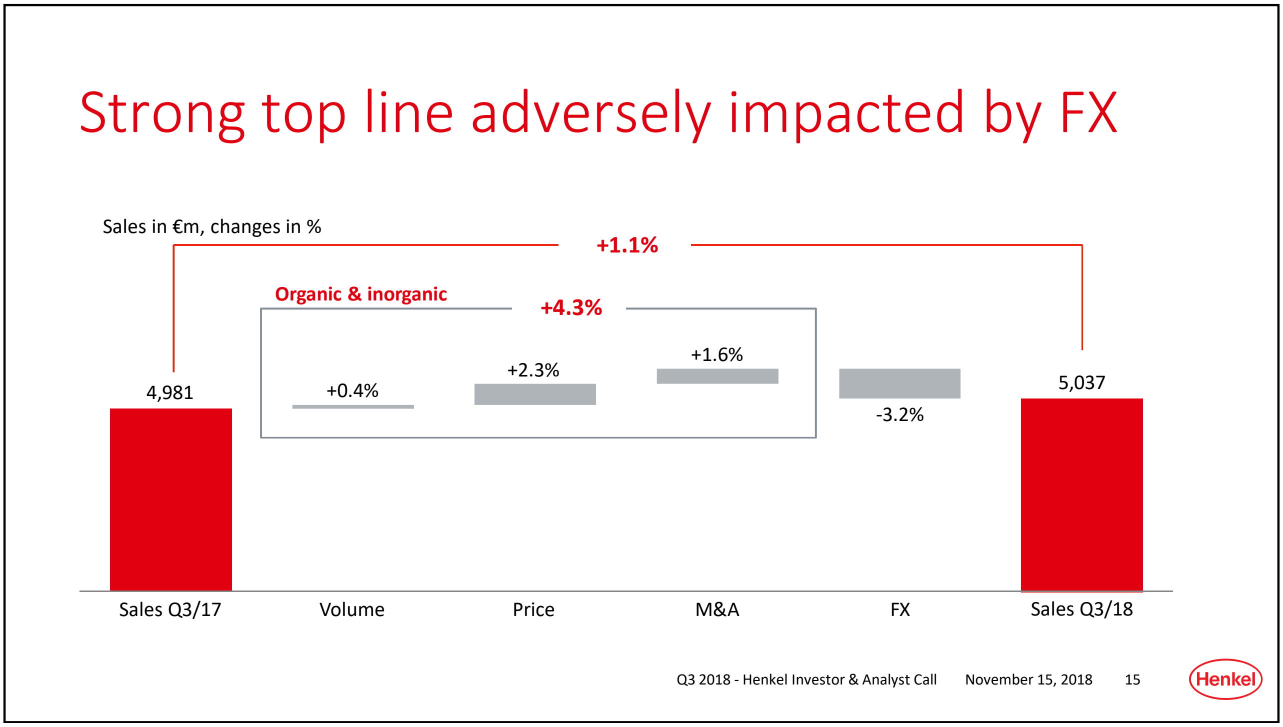
And we delivered EUR 1.58 in adjusted earnings per preferred share, an increase by 2.6% and this despite significant FX and direct material headwinds. Adjusted for currency effects, Hans has mentioned that, we showed another strong operational EPS performance of 5.2% in the quarter.



Looking at our cash KPIs. The ratio of Net Working Capital to sales increased to 6.6%. This is 100 basis points up versus the prior year quarter, and I will comment on that later during the presentation.

The Free Cash Flow at EUR 484 million remained strong but was below the prior year level due to working capital effects.

Lastly, our net financial position remained robust at minus EUR 3.2 billion, roughly flat compared to the year-end of 2017.



With that, let's have a closer look at our sales bridge in the third quarter of 2018.

Organically, we delivered a good growth of 2.7%, with volume growth of 0.4% and a strong pickup in pricing of 2.3%, and here important, with all 3 business units contributing to the positive pricing development.
We continued to pursue a balanced approach to price and volume growth. And given the highly volatile environment, this balance, of course, can vary from quarter-to-quarter. Looking at year-to-date, we see an overall good balance of price and volume growth.

The net effects of our acquisitions and divestments had a positive impact on sales of 1.6%. So, adding organic plus inorganic growth, this amounted to 4.3%, a very strong increase.

This was largely offset by a strong currency headwind also in Q3 with an amount of minus 3.2% in percent of sales.

And as a result, as already indicated, sales increased nominally by 1.1% now to EUR 5,037 million.

FX headwinds from key EM currencies

Top 10 non-€ countries[1], Q3 FX development[2]

[1] in order of 2017 group revenue share
[2] vs. Euro; Q3 avg. exchange rate vs. PY (Source: ECB), depreciation in red, appreciation in green

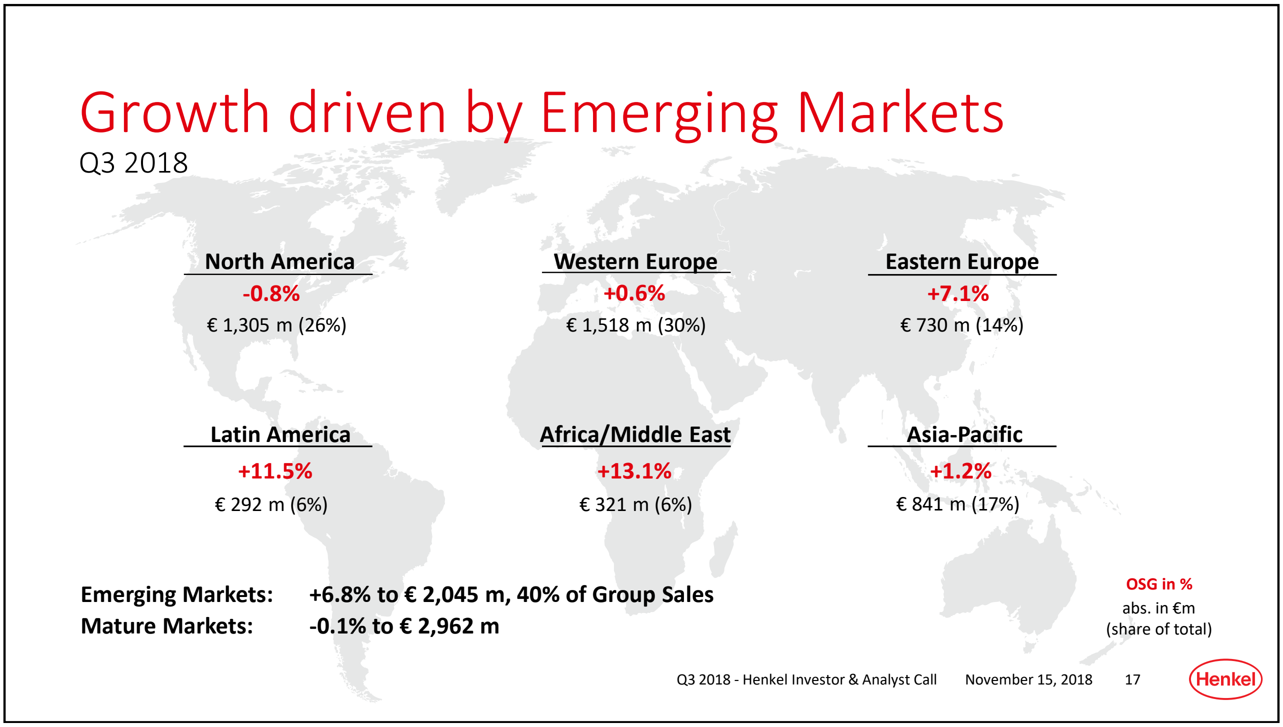
Key developments

- FX headwinds of -3.2% on top line
- Headwinds in Q3 driven by key Emerging Market currencies
- Slight tailwind from US-Dollar in Q3
- Key Emerging Market currencies with high volatility and negative impact on results

Taking a closer look at currencies as we have done that over the last couple of quarters.

While FX effects in the third quarter overall were lower than in the first six months of 2018, key emerging market currencies remained very volatile, negatively impacting our results. Headwinds in Q3 were driven by key emerging market currencies, in particular the Turkish lira, the Russian ruble, the Mexican peso and also the Brazilian real. The US-dollar, in contrast, appreciated against the Euro and turned into a slight tailwind.

Looking ahead, we continue to expect negative FX effects on our top line in the full year in the mid-single-digit percentage area.



With that, going a little bit more into details and looking here on the organic sales performance of our regions.

The organic growth of the Group continued to be driven by the Emerging Markets with very strong growth of 6.8%. Sales amounted to EUR 2 billion, representing about 40% of our Henkel Group sales.

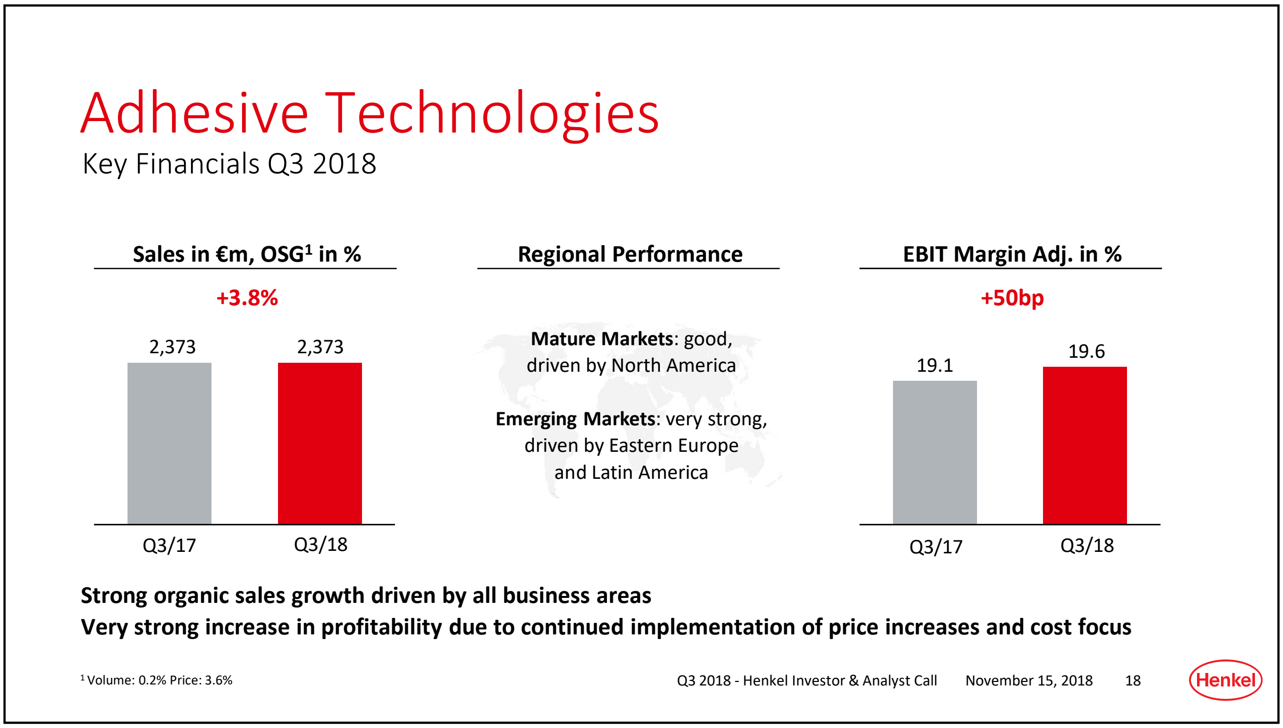
In the Mature Markets, sales came in at EUR 3 billion organically, roughly on the level of the prior year. This was driven by a slightly negative organic sales development in North America with minus 0.8%. Here, Adhesive Technologies showed a very strong performance in the region. Our consumer businesses were below the prior year quarter. We continue to operate at normal service levels. However, in a continuously intense competitive environment, we did not yet recover the market share losses we experienced in the beginning of the year. We are not satisfied with this development, and we are putting, as you can imagine, high emphasis on improving our performance in North America in the consumer businesses.

Looking at Western Europe. Sales were organically positive at 0.6%, held back by ongoing price and promotion pressure in the consumer goods businesses.

Eastern Europe recorded a significant organic sales growth of 7.1%. Latin America recorded a double-digit growth of 11.5%, here mainly driven by a double-digit improvement and increase in Mexico.

Africa/Middle East, for sure impacted by a fragile political and economic environment, achieved a double-digit growth of 13.1%.

And Asia Pacific showed a positive organic sales growth of 1.2%.

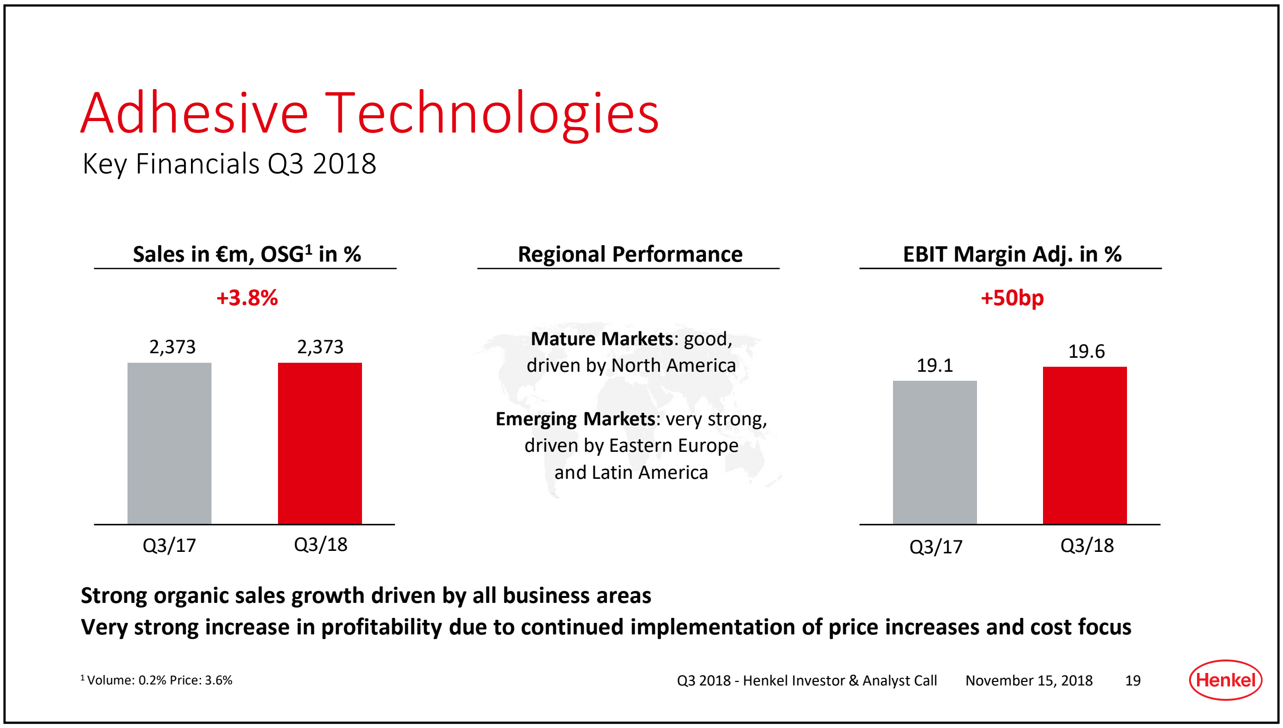


Let me now move on to our business units, as you are used, and we are starting here with Adhesive Technologies.

The business unit once again posted a very strong organic net sales growth of 3.8%, driven by a price component of 3.6% and a volume growth of 20 basis points. Thanks to the accelerated implementation of price increases, and you know that I always comment on that - and to remind you, Q3 of last year was 0.5%; Q4, 1.0%; Q1 of this year, 1.1%; Q2, 2.5%; and now the growth of 3.6% clearly shows that we are able to bring prices to the market, and we managed to offset the ongoing pressure from direct materials as well as transactional FX headwinds, resulting in an improved adjusted gross margin in the quarter.

Divestments slightly reduced the growth by 40 basis points. Currency effects amounted to minus 3.4% of sales, thus resulting in net sales of EUR 2.4 billion, nominally on the level of the prior year quarter.

Important to note that all business areas contributed to this strong organic sales growth. The performance was driven by a very strong increase in General Industry and the Electronics business. Packaging and Transport & Metal business each delivered a strong growth, while the Consumer and Craftsmen business contributed with a good growth.



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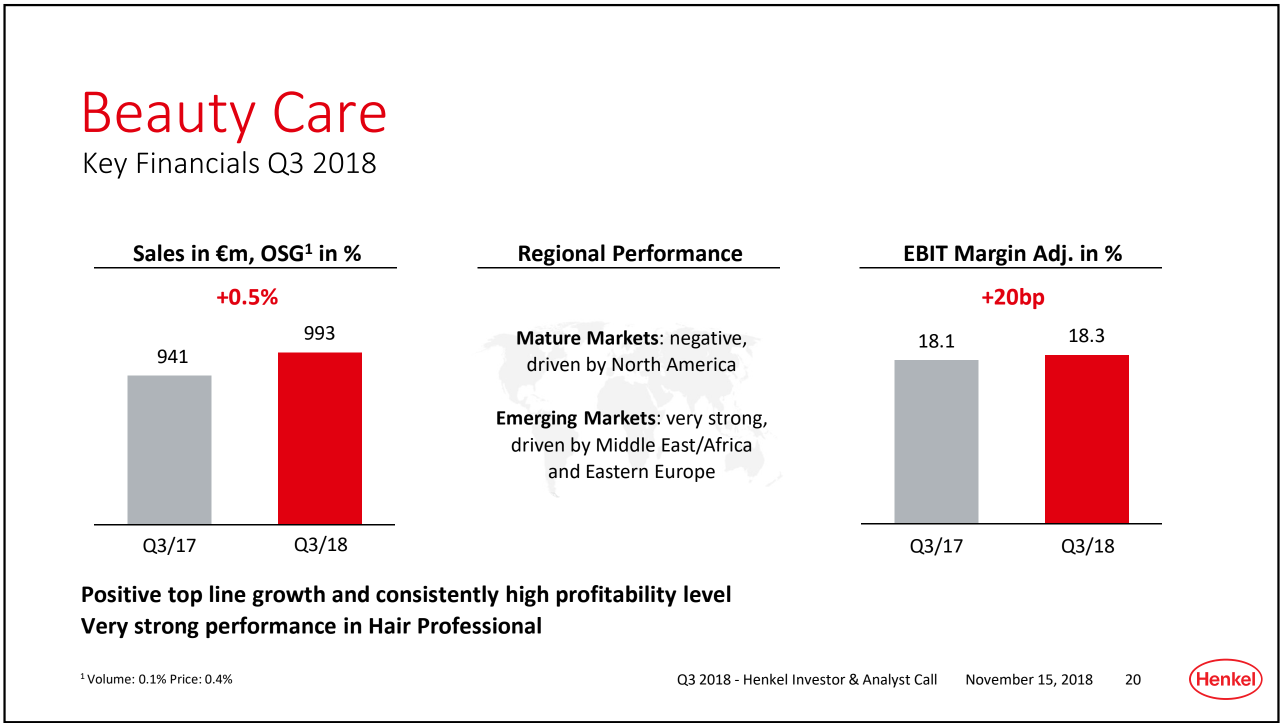
From a regional perspective, Adhesive Technologies recorded a good organic sales growth in the Mature Markets, driven by a very strong development in North America and good growth in Western Europe. The emerging markets showed a very strong organic sales growth.
The key drivers behind that significant growth were in Eastern Europe and double-digit increase in Latin America. The Emerging Markets of Asia contributed with a good growth.

Moving to the profit.

A very positive development, we reached a margin of 19.6%. The adjusted EBIT margin reached with that a new all-time high, being 50 basis points up compared to the prior year where we reached 19.1%. Here, the accelerated implementation of the price increases, as I described it before, as well as our Fund Growth initiatives on Henkel level, contributed to this very strong increase.



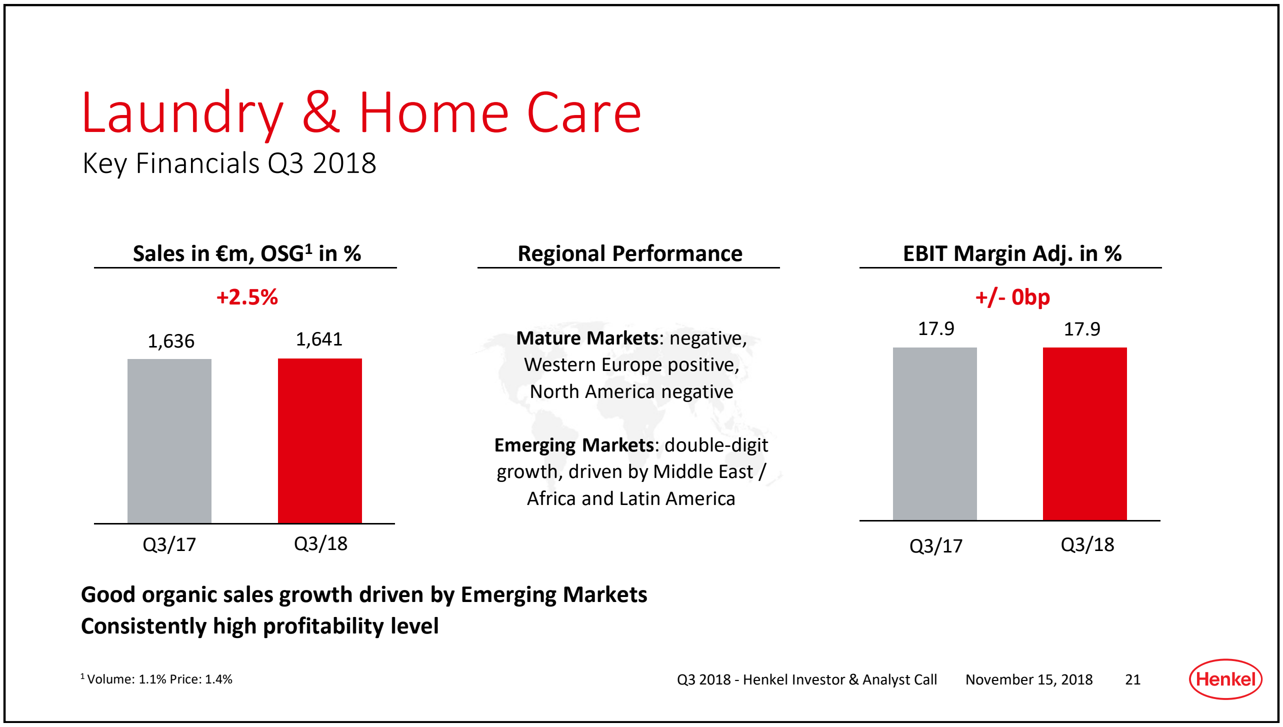
Moving on to Beauty Care. The business recorded a positive organic sales growth of 0.5% with a composition of 40 basis points in price and volume at 10 basis points. Currency effects for the division were minus 2.3%. Especially here, thanks to our Hair Professional acquisition, which contributed 7.3% to the growth, we achieved sales of about EUR 1 billion, in nominal terms 5.5% higher year-on-year.

The Hair Professional business continued its successful development and achieved a very strong organic net sales growth. In Retail, sales were organically slightly below the prior year, especially with the organic sales development in North America being below our expectations, which I already commented on the overall situation.

Performance in Western Europe was mixed. We had an ongoing high competitive and pricing pressure in the key markets. Overall, the Mature Markets displayed a negative development.

Looking at the Emerging Markets. Here, we posted a very strong growth, mainly driven by a significant organic growth in the Middle East/Africa region.

Despite the challenges, Beauty Care maintained its consistently high profitability level, increased the adjusted EBIT margin by 20 basis points, now to 18.3%. Here again, also, as I mentioned it with Adhesive Technologies, thanks to our Fund Growth initiatives, which we are implementing on Henkel level and where, I think, in the past I have commented quite in detail on.



With that now, finally, let us move to our Laundry & Home Care division.

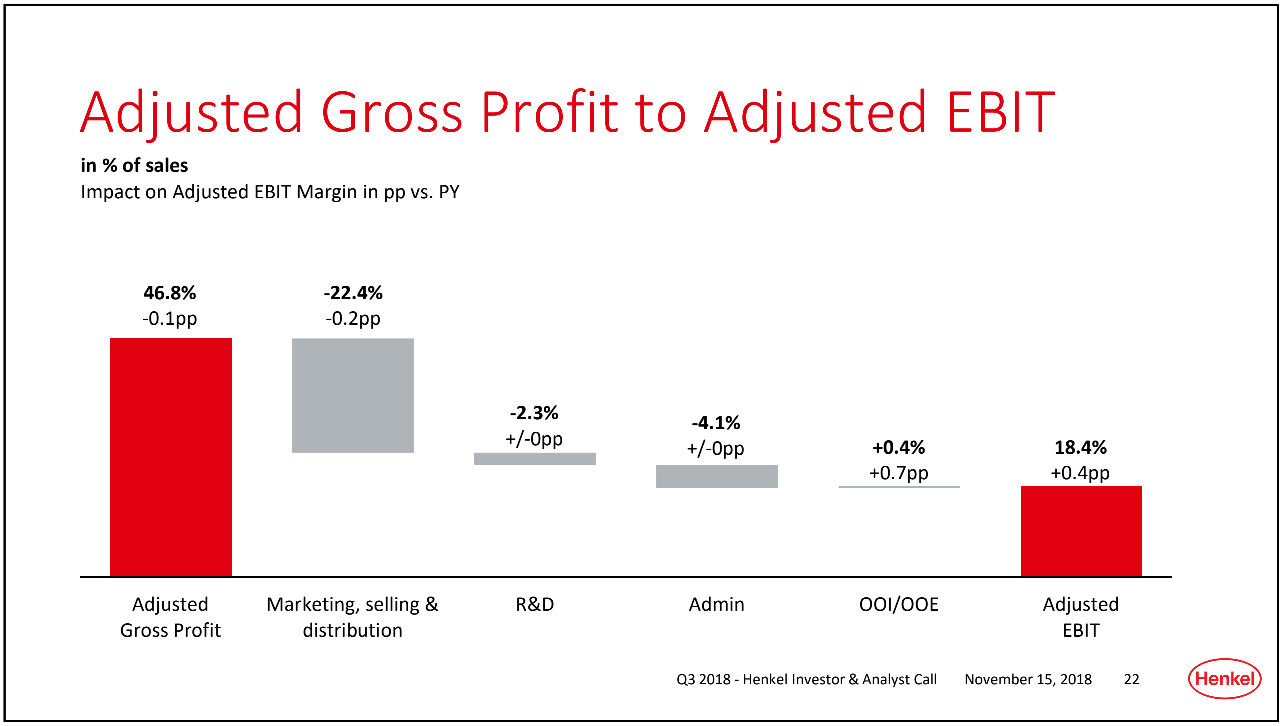
Here, the business unit showed a good growth momentum. We have organic sales being up by 2.5% in the quarter, driven by an increased volume of 1.1% and also positive pricing of 1.4%. Acquisitions added 1.1% to the growth. Like in Adhesive Technologies, we see a quite similar negative currency effect for the division. This amounted to minus 3.3%. So therefore, in nominal sales, we were slightly up by 0.3%.

Looking at Laundry & Home. Laundry recorded a good organic sales growth, and Home Care delivered a strong growth.

Looking also here in the regions and first at the Mature Markets. While Western Europe was positive and the Mature Markets of Asia showed a very strong growth, the situation in North America was below the prior year quarter, like I commented that for Beauty Care.

The Emerging Markets showed a double-digit organic net sales growth development, here driven by Africa/Middle East and Latin America.

On to the margin development. In a continuously high competitive environment, the business faced intensifying direct material headwinds. Thanks to the good progress in the Sun integration and the implementation of our Fund Growth initiatives, the adjusted margin reached the level on the prior year quarter, so in other words, 17.9% in relation to net sales.



With that now, let us move back to the Henkel Group and here in particular to our adjusted income statement. Thanks to our successful pricing initiatives, especially in Adhesive Technologies, and I commented on that, our continued savings from cost reduction measures, we could compensate for intensified direct material and the transactional currency headwinds. As a result, the gross margin was roughly flat at 46.8% compared to the prior year quarter.

Also, in our consumer goods businesses, we implemented price increases and further saving initiatives. Here, we were able to partially compensate for increasing direct material prices and that particular impacted our Laundry & Home Care business.

Looking now at marketing, selling and distribution expenses. In percent of sales, we came in with 22.4%, and this remained almost on the level of the prior year quarter. We continue to benefit from the realization of efficiency gains through our ONE!ViEW initiative and also some mix effects.

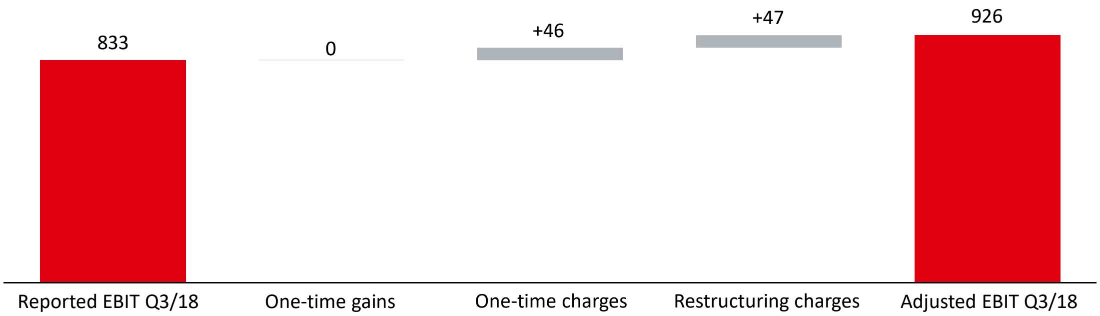
Both our R&D and also our admin expenses remained stable on prior year's level.

At EUR 20 million, the balance of our other operating income and expenses remained on a low level and on par with the results in Q1 and also in Q2 of this year. It is above the prior year quarter, which was at minus EUR 17 million, mainly as a result of higher other operating income.

Overall, the adjusted EBIT came in at EUR 926 million. And the adjusted EBIT margin continued to increase, as pointed out before, now to a level of 18.4%. And this is 40 basis points up to the prior year quarter and, as already indicated, a new all-time high for the Group.

Adaptation of our structures to the market

in €m



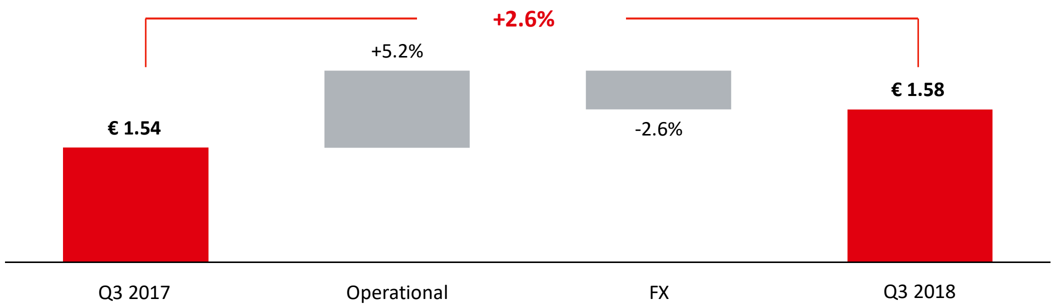
Focus of restructuring measures on optimizing structures in administration and operations
Restructuring expenses of € 200 to 250 million expected in FY 2018

Now, as you are used to, let me show you the bridge, the detailed bridge from reported to adjusted EBIT. The reported EBIT came in at EUR 833 million. We had no onetime gains in the quarter. We incurred EUR 46 million in onetime charges, which relate to our acquisitions and the optimization of our IT infrastructure related to our One!GSC Horizon project.

Restructuring charges at EUR 47 million in the third quarter were significantly below the levels recorded in the first two quarters this year. The focus was on further optimizing our structures in admin and in operations, for example, by reducing the number of layers in the organization and adapting our production and logistic footprint.

We continue to expect restructuring expenses of EUR 200 million to EUR 250 million in 2018. As we spent a relatively high number in the first nine months - and as also already indicated in the last Q2 call, we will end the year at the higher end of this range.

Ongoing strong FX-adjusted EPS growth

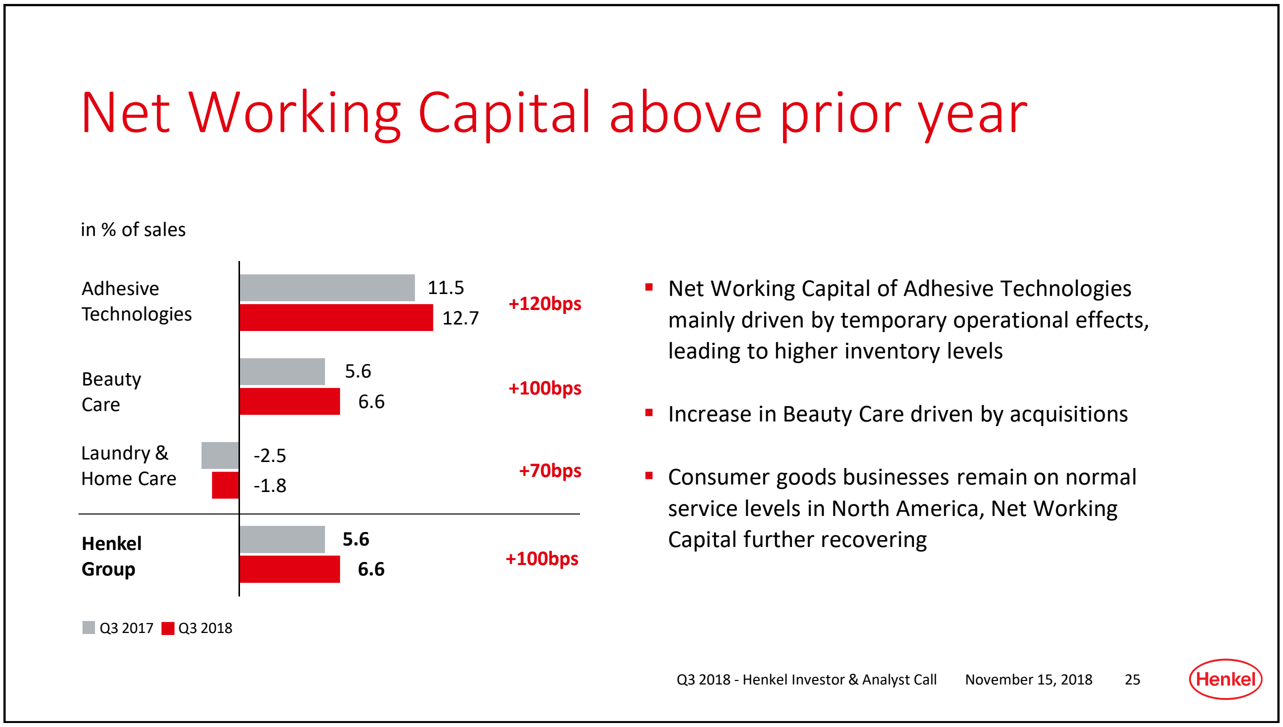


Continued headwinds from adverse FX movements in the third quarter
Adjusted for currency effects, ongoing strong Adjusted EPS performance

Earlier on, I highlighted the continuously strong impact of FX on our sales growth, driven by the key Emerging Market currencies.

This, of course, also negatively impacted our adjusted EPS. We have commented on that, Hans and myself, with an FX headwind of minus 2.6%.

So, excluding the FX, we delivered a strong operational EPS performance of 5.2%. So overall, adjusted earnings per preferred share came in at EUR 1.58, and that's 2.6% higher than in the Q3 of 2017.



Coming back now and moving to our cash KPIs, starting, again, here with Net Working Capital. Net Working Capital of Adhesive Technologies came in at 12.7%, with an increase of 120 basis points, mainly as a result of temporary operational effects, which have led to higher inventory levels. Definitely not a satisfying situation, and we are very keen to change that going forward.

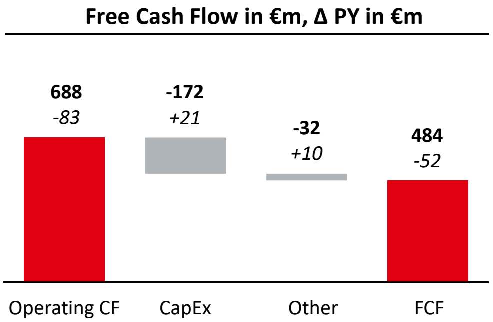
In Beauty Care, the Net Working Capital increased by 100 basis points to 6.6%. This increase was mainly driven by the impact of the acquisitions we are just integrating. And by that, as you know, over the course of the integration, this effect will fade away. That means we will adapt the Net Working Capital of the acquisitions to the level which are used to in our divisions.

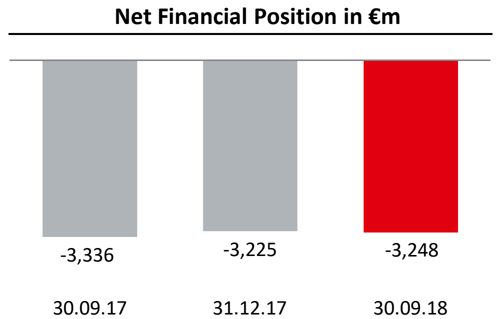
Laundry & Home Care reported and recorded an increase of 70 basis points to a level of minus 1.8%, while still above the prior year, a subsequent improvement quarter-by-quarter.

So, our consumer goods business in North America remained, as I stated before, on normal service levels. In the third quarter, we have further progressed in reducing the negative impact to about now one third of the original impact.

And I will also give you now a comment how this increase of the 100 basis points to 6.6% is composed. As indicated, 20 basis points of this increase are related to M&A, mainly to, what I said, to the M&A of Beauty Care. And 40 basis points are the remaining effects from the logistic difficulties in North America. And the residual 40 basis points are operational impact. So, we are putting high emphasis, as indicated, on getting to a lower Net Working Capital level, and we will continue to report on the progress we make.

Strong Free Cash Flow generation





Strong Free Cash Flow in Q3, but below previous year due to increase in net working capital
Free Cash Flow 1-9/2018 almost on prior-year level despite technology investment in Q1 2018

With that, coming to our Free Cash Flow.

We continued to be strong at EUR 484 million in the third quarter yet remained EUR 52 million below the prior year. The Free Cash Flow in the first nine months is at the level of EUR 1,123 million, which was approximately on the level of the prior year. And if you adjust for the extraordinary EUR 200 million of the technology investment we did in the first quarter, we would have an increase on operational or like-for-like topics by roughly 15%. The Free Cash Flow in the quarter was mainly driven by a lower operating cash as a result of adverse Net Working Capital movements.

We continue to invest in our business, and we have spent EUR 172 million on Capital Expenditures. And thanks to our strong Free Cash Flow, the Net Financial Position remained largely flat at minus EUR 3.2 billion versus year-end 2017 despite the dividend pay-out in April and the higher CapEx in the first nine months.

With this, we continue to have a strong balance sheet.

And I'm handing back to Hans.

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Hans Van Bylen:

Thank you very much Carsten.

Let me now conclude with our performance year-to-date, our guidance for the full year and the key take-aways before we move on to the Q&A.

Good development in 1-9 2018

Sales	Organic Growth	Adjusted EBIT	Adjusted EBIT %	Adjusted EPS Growth
€ 15.0 bn	+2.4%	€ 2.7 bn	17.9%	+2.0%

Organic Growth by Business Unit	
Adhesive Technologies	+4.6%
Beauty Care	-1.2%
Laundry & Home Care	+1.6%

Adjusted EBIT % by Business Unit	
Adhesive Technologies	18.9%
Beauty Care	17.7%
Laundry & Home Care	18.1%

Starting with our performance in the first nine months:

Henkel generated sales of EUR 15 billion and achieved good organic sales growth of 2.4%. Strong FX-headwinds of minus 6.0% reduced sales. In absolute terms, negative currency effects amounted to more than 900 million euros.

Adjusted operating profit grew by 1.3% to EUR 2.7 billion and we increased the adjusted EBIT Margin by 30 basis points to 17.9%.

Looking at the business units in the first nine months of 2018, Adhesive Technologies generated very strong organic sales growth of 4.6% and a continuously high adjusted EBIT margin of 18.9%. Thanks to the accelerated implementation of price increases and our Fund Growth initiatives we were able to largely offset the significant direct material and FX headwinds.

Sales in our consumer goods businesses were adversely affected by the delivery difficulties in North America. The Beauty Care business unit showed a negative organic sales development of minus 1.2%. With 17.7%, adjusted return on sales was roughly on par with the prior-year-level. The Laundry & Home Care business unit generated organic sales growth of 1.6%. Adjusted return on sales showed a very strong increase from 17.6% to 18.1%.

Summing up, despite severe FX- and direct material headwinds, we delivered an adjusted EPS growth of 2.0% to 4.59 euros in the first nine months of 2018. Excluding FX, we grew our adjusted EPS by 6.9%.

Guidance 2018 confirmed

	FY 2018
Organic Sales Growth	**Henkel: 2 - 4%** Adhesive Technologies: 4 - 5% Beauty Care: 0 - 2% Laundry & Home Care: 2 - 4%
Adjusted EBIT Margin	**Improvement to a level of around 18%**
Adjusted EPS Growth	**3 - 6%** Reflecting currency development

As you can see in the first nine months of 2018, we continue to operate in a business environment that is characterized by high and increasing volatility and uncertainty.

GDP forecasts indicate a moderate growth. The positive momentum of industrial production is expected to continue although we see a slight softening of growth momentum in the second half of the year. We anticipate challenges in the consumer goods environment to prevail. Currencies are expected to continue to negatively affect our results with key emerging market currencies in particular anticipated to remain very volatile. Also for direct material prices the pressure is expected to remain high.

In this environment we confirm our guidance for fiscal year 2018 which underlines our continued focus on sustainable profitable growth and our commitment to further drive the implementation of our strategic priorities.

Committed to driving profitable growth

- Build on strong momentum in Adhesive Technologies with continued price implementation
- Drive growth with innovations and winning execution in Beauty Care and Laundry & Home Care
- Leverage full acquisition synergy potential
- Advance implementation of Fund Growth initiatives
- Focus on reducing Net Working Capital

And we have clear focus areas going forward:

In Adhesive Technologies we are working hard to maintain our strong growth momentum, implementing further price measures in order to strengthen our profitable growth path.

We are driving growth in both Beauty Care and Laundry & Home Care with full focus on innovations and winning execution.

We are leveraging the full synergy potential from our acquisitions.

We are advancing with the implementation of our Fund Growth initiatives to support investments and our bottom-line.

And we continue to focus on reducing Net Working Capital.

With this we are committed to driving profitable growth.

Key take-aways

- Good organic sales growth in Q3 driven by Emerging Markets and Adhesive Technologies
- Strong improvement of Adj. EBIT Margin thanks to accelerated pricing and cost management
- Increase in Adj. EPS despite continued adverse currency effects
- 2018 guidance confirmed

Let me summarize the key take-aways we wanted to convey to you today:

In the third quarter, Henkel delivered good organic sales growth driven by very strong organic growth in Emerging Markets across all three business units and a strong performance of Adhesive Technologies.

Thanks to the acceleration of pricing measures as well as our continued cost management focus, we continued to improve our adjusted EBIT margin and increased adjusted earnings per preferred share despite adverse currency effects.

And we are fully committed to deliver on our guidance for 2018.

With this, let‘s move on to the Q&A.

Question: Two questions, please. First, can you please share with us your insights into trends in your customer industries in Adhesives? Many market participants are talking about significant disruptions in car production, for example, both trade war related as well as pertaining to the WLTP regulation, yet your sales seem to have grown strongly in Transport. So, what are you seeing specifically in Transport but also in Electronics and Adhesives? And then second question, can you elucidate a bit the competitive situation in the U.S. market? I mean, you mentioned it a couple of times. But can you give us some beef to the bone what's happening in Laundry and Beauty Care in the U.S. competitive-wise?

Hans Van Bylen, CEO: Thank you very much. First, on your question on the trends and the different developments in our Adhesive Technologies market, as we have been also reporting, the growth in our Adhesive Technologies businesses has been broad based, which means all our different business units have been contributing to the growth. And also, as we described, I mean, we see some slight trends of some weakening of some markets, different by region, but the way we are positioned, we are able to compensate. We also have good pricing power. What we do see, as you indicated, Transportation in some regions, although we have a very good quarter in Transportation. So, in this, we see some slight weakening of markets. And of course, as you say also, the whole trade conflicts and so on, do not help for that. But in general, we feel very well positioned here. On your question on the competitive situation in the U.S., what we do see, in all consumer markets, I mean, we see some better momentum in some markets, but competitive intensity is continuing. And there, you see it from both sides, you see further trade consolidation, trade pressure. Also the topic of e-commerce is affecting our trade partners. And on the other hand, of course, specifically for the U.S., we see that we had, and we reported on that in Q1, our delivery difficulties, which we overcame. Service levels at the moment are excellent. But because of those issues, of course, we lost some promotional slots and with trade partners, of course, we do the maximum to come back to that. But we lost in the beginning of the year some market share, and we're fighting hard to get back to that, and we're not completely there yet. Hope this answers your question.

Question: Two questions from my side. You mentioned regarding the pricing, we saw very strong pricing in Q3. Did I get you correctly, Carsten, that we will see lower pricing in Q4 and onwards but better volume? Second is regarding the Laundry & Home Care business, what we have currently seen, this good trend. Do we expect that will continue? And on the other side, when have we seen in Laundry the bottoming out of the development, in particular in the U.S.?

Carsten Knobel, CFO: So thanks for your question. I don't know exactly why you come to the point how pricing would change. I think what I tried to bring across and I think that what we are reporting since a couple of quarters, I think it shows really the great and superior business model we have in Adhesive Technologies. That was the reason why I was also giving you once again the track record over the last couple of quarters. As I said, we started in Q3 of last year with 50 basis points of pricing, in Q4 of last year with 100, starting the year with 110, in Q2 with 250 basis points and now at the high of 3.6%. And we will continue to see price increases because we are continuously impacted by material impacts. And for sure, what you always have to take into account, and that's for sure very difficult on the quarter to see, is to have the right balance between pricing and volume. For sure, you can say now 3.6% in pricing and 20 basis points in volume is maybe not the right optimal balance, but this is something which we experience when we are working with our customers, when we are working to bring price increases through. So, we also expect that this continues going forward. At which level, you know, I'm not guiding on a quarterly level. But I think what I have shown before is, on the one side, that we are significantly able to bring prices to the market, but on the other side, you can be sure that we are also taking the point that we want to have a balanced approach between the two components. Hope that answers your question.

Hans Van Bylen: Then if it's fine, then I will come back to the second question, which is with complement to the first question on Laundry U.S. So indeed, what we said, to get a little bit more in detail then, we see in market development differences also in brands. For example, Persil is continuing to do well. And those brands which are more promotional sensitive, we do see that since our issues in the supply, we need time to recover also because getting more back into promotional slots. So, to your question, you can be sure that the team and our focus is completely on regaining market share in the coming quarters by also focusing on investments, also on merchandising programs, on getting back in promotional slots. That's the full focus of the organization. Hope also that answers your question.

Question: So my question is, sorry to bang on about this, but on the pricing, I was just wondering, if rates, currency rates and commodity prices stay where they are today, should we expect pricing to continue to go up year-on-year? Or I guess is this -- have we seen the most that you've taken? And also, I was just wondering how the competitive landscape is. I mean, as market leaders, do you find yourselves having to lead on price increases, and that's why the volumes have been a little bit weaker in Adhesives, and then as everybody else catches up, that should improve the picture for you? So just wondering if you can just comment a little bit more around that, please. And then my other question is on the Middle East/Africa, which remains strong for you, but it was flagged by some of your competitors where they've seen a bit of weakness. So, can you just highlight what is actually working for you in that particular region, please, and how sustainable that growth is in your view?

Carsten Knobel: So again, I think what I want to emphasize, as I indicated it also in the previous question, the pricing power which we see in Adhesive Technologies is strong for sure. And this is also related to the strong setup of our business worldwide. You had the point, if material prices and transactional impact would remain, does this mean pricing even gets higher? On the one side, I would say yes, theoretical yes. But as also said, the other part, we need to find a good balance between price and volume. And you have seen from the reported figures in Q3, that volume is with 20 basis points, more or less, very low. So therefore, we will find a balance on that part. A second point which impacted also the volume growth in Q3 is -- and I mentioned that not before, but maybe that's an additional point, is that the lower volume growth was also driven by certain exits from lower-margin businesses in our Consumer, Craftsman and Building business, and that had also a small impact on the volume path. But overall, I think we need a balanced view on pricing and volume, and we remain very strong on that. And your second part, in terms of, has this something to do because we are a market leader? I think this is independent being a market leader or not. It's depending on if you have great products and great solutions for your customers. And if this is the case, your customer is also for sure, based on negotiations, accepting also price increases. So that's more related to the quality and the importance of the solution than being a pure market leader.

Hans Van Bylen: Then, I will continue with your question on Middle East/Africa. Indeed, we have some good growth momentum there, and this is mainly coming out of our consumer businesses. So there, we see really up to double-digit growth by both divisions, and we also see it across all countries. So, I think the team there is doing an excellent job, and we have quite a good innovation offensive there. If I take the example of Laundry, we have been relaunching all our detergent brands, especially the premium part. And also, a brand like Pril has a fantastic momentum there, also thanks to excellent activities in the way that we also have been focusing more and more and we have strong local teams and also a strong regional organization, and they adapt really innovation extremely sharp to local needs. And at the moment, that has a good momentum.

Question: I wanted to understand raw material inflation. So, could you give us some guidance as what kind of raw material inflation you think this year potentially as we go into next year and how it differs by segment? Am I right to believe maybe that you have yet to see more price inflation in Home Care, but maybe you've already seen quite a fair bit in Laundry -- sorry, in Adhesives? So, if could you comment on that. And my second question is regarding the Home Care profitability. So maybe there will be an impact of raw material, which it seems that you have already in the third quarter. But should we expect this margin in this division to remain under pressure as you try to regain the share losses in the U.S.?

Carsten Knobel: I will start with your raw material question. So, first of all, if you look at the guidance for the year, we have pointed out and confirmed that we see a moderate increase versus the level of the prior year, and there is not a significant change on that. If you look between the different divisions, the impact of raw materials is higher on Adhesives and on Laundry & Home Care. So, with other words, we are less impacted in our Beauty Care part. Especially the situation, it's for sure that if you go into more details that we have significant impacts on raw materials in surfactant, oleo and petrochemical-based materials, which are significantly impacting our Laundry & Home Care business, while waterborne adhesives and acrylics are impacting our Adhesives business quite significantly. I hope that gives you some more detail. And as I said that Laundry & Home Care and Adhesives are impacted the most. On the other side, you have seen, while the pricing initiatives we could execute in Adhesives are significant, by that, we could overcompensate the raw materials and the transactional FX. And with that, we have also seen a positive impact on our gross margin. As I indicated quarters before that we are getting more and more into that direction.

Hans Van Bylen: Then, I will continue with your second question on margin development. Laundry, indeed, as you indicate we have different components here. We are fully on track in the synergies, in capturing the synergies with the Sun acquisition. On the other hand, Carsten just has been commenting, indeed, raws impacts in Laundry & Home Care, are more significant than, for example, what you see in Beauty. And what we do see we also have positive pricing in Laundry, you see it also increasing quarter-by-quarter. That helps. And on top, with new innovations coming in, we always try to have the new innovations being strong enough to afford also a higher pricing. And on top, the initiatives on which we've been commenting, of course, are extremely relevant also for Laundry, especially if you talk about the ONE!ViEW but especially also the Net Revenue Management, the pricing, so that on that topic. So, we take measures in order to enable us to find the balance between growth and profitability in this business.

Question: Just one for me this morning. You gave an interview in the German press back in September pointing to the early signs of a slowdown in Adhesives. So maybe you could give us a bit more color on those early signs and perhaps your early thoughts for 2019, especially given where consensus is at 4% like-for-like growth for the Adhesives business.

Hans Van Bylen: Thank you for your question. Now I'm thinking about which interview, because meanwhile, I also have a second responsibility. I'm also representing the chemical industry in Germany as a President. And there, we as an organization did make a statement that in this industry, we see signs of weakening. So, it can be, that here, we confuse both. Concerning our business -- anyway, the question is relevant, of course, as I also indicated in my presentation. And we see slight signs, but I think we have been commenting on this question concerning Adhesive Technologies in previous questions. So, I hope this helps.

Carsten Knobel: And you should understand we will not elaborate on our expectations for fiscal year 2019 today. As you know, we will publish that, as always, in February next year when we go into the discussion of guidance for 2019.

Question: If I could just maybe ask you to focus a bit on China Adhesives, clearly, maybe there was a lot of concerns about slowdown in China going into the quarter. So maybe -- I know you said good growth in Asia ex Japan in Adhesives, but maybe you could talk a little bit about the momentum specifically in China and to the extent of the softening that you are seeing there. And then on the, I guess, Q4 in Beauty Care, I mean, clearly, there's quite a high hurdle rate, I guess, to get in Q4 to hit guidance. Are you still obviously very confident on doing that? And maybe can you just talk about some of the drivers there? How are these -- the new brand launches doing, like Barnängen and Nature Box and got2b, et cetera, which all help you achieve that?

Hans Van Bylen: Thank you, for both questions. First, on Adhesive Technologies China, so as we have been reporting, Q3, we saw a slowdown of growth in automotive. I mean, on that we are also exposed. And of course, China economy is affected by trade tariffs and uncertainties. But in general, as we said, in other industries, we're able to have compensating growth. So, in total, China slowing down but, I mean, still showing growth. And what now all the measures mean for China’s economy, there are different forecasts out there. So as reported, for us, with exception of automotive, I think all the other business continue to do quite well. Your question on Beauty, we do see this. We have a lot of launches happening. And first indications, as I reported, Nature Box, Eastern Europe, proves to be quite moving. Where we really have something moving is got2b. Got2b as a brand, we have reported double-digit growth in Q3. And this is thanks to launches in coloration and also in styling. So there, we also do see both in styling and also in color in general we win share. And of course, Professional. If you see Professional, there we're really outperforming also competition clearly, and we have there good measures in place to continue that trend.

Question: Two questions for me, please. The first one, on the operating income you generated in Q3, could you elaborate on what was that, because that was significantly above prior year? And then also digging into margin. I was wondering -- well, following an earlier question, but if we could really see a bigger jump in Laundry & Home Care margin in Q4 already and what you were expecting for Adhesives because I mean, the guidance appears quite ambitious if we take it to a 18% level.

Carsten Knobel: So, to your first question regarding the Other Operating Income, Other Operating Expenses, at EUR 20 million, the balance of Other Operating Income and Expenses remained on a low level. And this is on par as we have reported that in Q1 and Q2 of this year. It is above the prior year's quarter, yes, because at that part, it was minus EUR 17 million. And therefore, you see a higher difference in terms of increase but not as a run rate in the year if you compare it to Q1 and Q2, and this is mainly a result of higher Operating Income. The position includes many different items also here, such as small gains from disposals of noncurrent assets and the divestments, especially also in the Adhesives sector, and the other expenses relating to individual items arising from operating activities. So generally, other operating income and the expenses varies from quarter-to-quarter. But on a full year basis, the balance usually and also will in this year remain or will remain on a low level.

Hans Van Bylen: Then on your question of margin development, I think you have seen today that after six months, we had a margin of 17.7%. Now after nine months, we have a margin of 17.9% as we report a quarterly margin of 18.4%. So, we see that in all businesses, we're well on track with implementing price increases we report on our Fund Growth initiatives and also, of course, further integration of our acquisition.

Carsten Knobel: And you know, we are not guiding on quarterly margins, but all three Business Units are expected to contribute to this around 18% on the Group level. And I think we are well on track on that.

Question: Couple of questions for me. The first one would be on Beauty Care in China because in the quarter, you reported strong organic sales growth in emerging Asia. Now we haven't seen such a performance since, I think, Q2 2016. So, my first question would be, have you turned a corner in China? Is the destocking trend that has affected you for more than a year now over? And then the second question is on your marketing, selling and distribution line because it was up 20 basis points as a percentage of sales in the third quarter. Now we're more used to see that line declining as a percentage of sales. So, wondering what's driving this increase. Is it just a one-off? Or is it a new reality, and you have to ramp up your marketing expenses going forward to support your brands?

Hans Van Bylen: Thank you for your questions. Concerning Beauty China, indeed, we had good growth but very strongly driven by e-commerce. I also report in general for all consumer good business, with e-commerce we are doing very well. And especially in this quarter in China for Beauty, this was very high growth. But to second part of your question, this channel shift from brick-and-mortar, also with, of course, effects to inventory level and so on, continues to be a challenge.

Carsten Knobel: To your marketing, selling and distribution question, in percentage of sales, as you marked it, adjusted marketing, selling and distribution was at 22.4% in percentage of sales. And that's 20 basis points close to the level of the prior year quarter and 10 basis points below the level of Q2. The expenses remained on a low level, mainly due to the continued realization of our efficiency gains where we have reported through the last, I would say, 3 to 4 quarters where we are executing our ONE!ViEW initiative and there are also some mix effects. And the pure marketing spend, I think, is more or less on the level of the last quarters, so no significant changes.

Question: My first question is on raw materials really. I think at the beginning, you mentioned you're still facing some market shortages, and I was wondering whether you can comment on that. Were there any bottlenecks becoming resolved that could help matters? And really, the question is on crude oil that we've seen a big collapse recently, and whether you could go through the implications of a decreasing oil price for your pricing and your gross margin going forward. So that's the input cost question. And the second question is kind of, I guess, a bigger-picture question. By division, where do you see the greatest opportunities to uplift your organic sales growth from where the 3 divisions are currently running at?

Carsten Knobel: So coming back to your raw material point, so overall, in Q3, we have seen that the feedstock prices increased compared to Q2 and especially due to price increases in the crude oil market and, on the other side, the strong demand. On the other side, the whole geopolitical development is leading and will also lead in the future to a high volatility in the feedstock price development and we will see that ongoing. I think that's something which we have been used to over the last, I would say, one and a half years. And there will be also what I see at this point, no significant change. The volatility will be there, and there will be always events which are happening in a quarter or not in a quarter, which will impact the situation. But yes, as I said, I think we are dealing with that. We have, again, projects to compensate it. We have price initiatives to bring these things to our customers and consumers. But I would say nothing more to add on that.

Hans Van Bylen: Then to close on your question on growth, I mean, we are focusing on creating sustainable profitable growth. And looking at the different divisions, in Adhesive Technologies, we have a fantastic momentum where indeed, also you see growth combined with a strong margin increase. In Beauty Care, it's clear, Professional having a fantastic momentum. And in Retail, coming back step by step, and they're also winning shares in our core categories. In Laundry and Home Care, if you take out U.S., also very strong development, and there, gaining back share in U.S. is our top priority. And with this, we continue our path of sustainable profitable growth.

Upcoming Events

- February 21, 2019 FY 2018 Earnings Release
- April 8, 2019 Annual General Meeting
- May 7, 2019 Q1 2019 Earnings Release
- June 27, 2019 Investor & Analyst Day Adhesive Technologies
- August 13, 2019 Q2 2019 Earnings Release
- November 14, 2019 Q3 2019 Earnings Release

Hans Van Bylen:

Thank you for your questions. I think this was the last question. So, dear investors and analysts, I thank you again for your interest, also for your questions.

And last but not least, let me draw your attention to our 2019 events. Here, specifically, please block June 27 in your calendars because then we will have the Investor and Analyst Day focusing on Adhesive Technologies.

Thank You

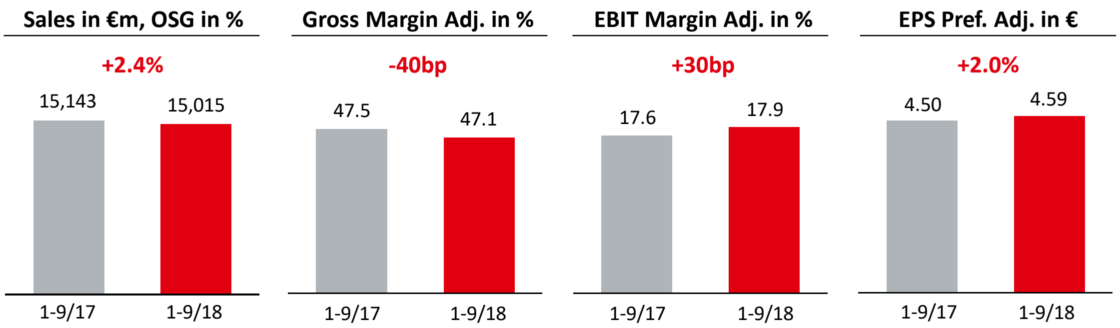
I thank you again for joining today, and I wish you a nice day. Thank you.

FY 2018: Additional input for selected KPIs

Prices for Direct Materials	**Moderate increase vs. the level of the prior year**
Restructuring Charges	**€ 200 – 250 m**
CapEx	**€ 750 – 850 m**

Committed to sustainable profitable growth

Key Financials 1-9/2018

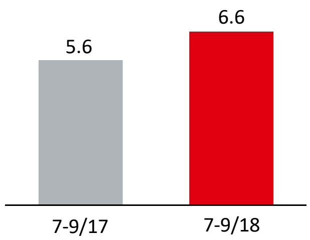


Focus on disciplined cash management

Key Financials 1-9/2018

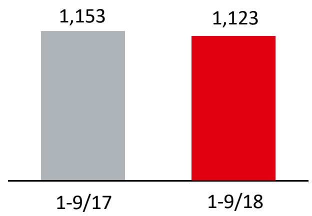
NWC in % of Sales

+100bp



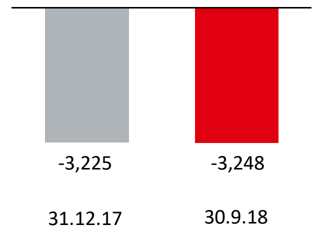
Free Cash Flow in €m

€ - 30 m

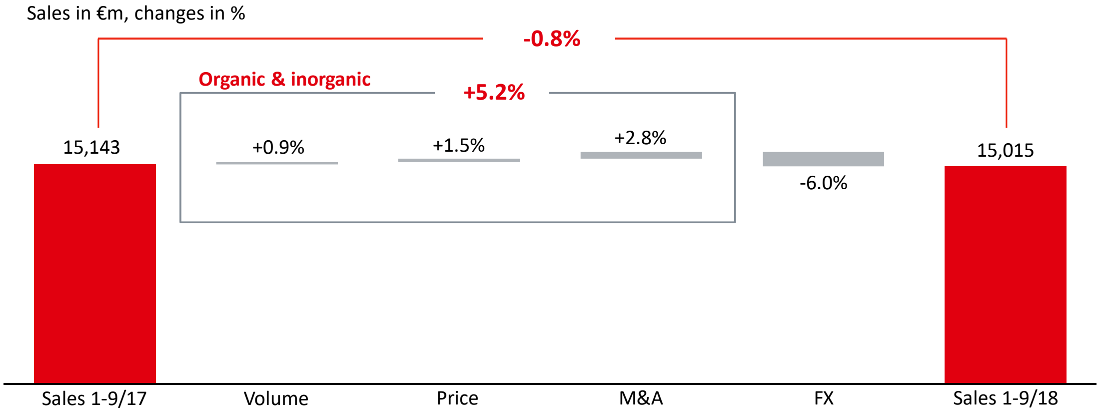


Net Financial Position in €m

€ - 23 m



Topline growth impacted by currencies



Emerging Markets driving growth

1-9/2018

North America	Western Europe	Eastern Europe
-0.9%	**+0.3%**	**+7.6%**
€ 3,749 (25%)	€ 4,672 m (31%)	€ 2,164 m (14%)

Latin America	Africa/Middle East	Asia-Pacific
+8.3%	**+8.6%**	**+2.4%**
€ 872 m (6%)	€ 963 m (6%)	€ 2,502 m (17%)

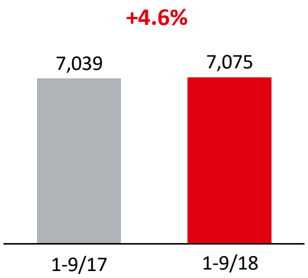
Emerging Markets: **+6.4% to € 6,090 m, 40% of Group Sales**
Mature Markets: **-0.3% to € 8,832 m**

OSG in %
abs. in €m
(share of total)

Adhesive Technologies

Key Financials 1-9/2018

Sales in €m, OSG[1] in %

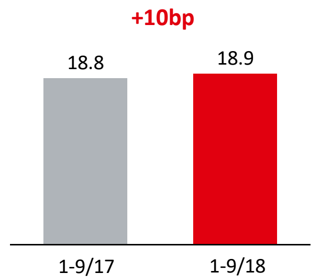


Regional Performance

Mature Markets: good, driven by North America and Western Europe

Emerging Markets: very strong, driven by Eastern Europe and Latin America

EBIT Margin Adj. in %



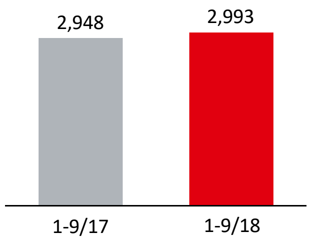
[1] Volume: 2.2% Price: 2.4%

Beauty Care

Key Financials 1-9/2018

Sales in €m, OSG[1] in %

-1.2%



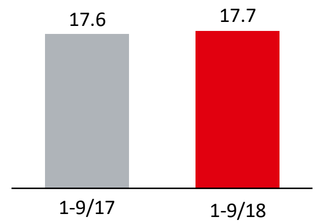
Regional Performance

Mature Markets: negative, due to North America

Emerging Markets: very strong, driven by Eastern Europe and Middle East / Africa

EBIT Margin Adj. in %

+ 10bp

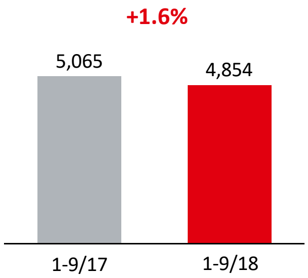


[1] Volume: -1.4% Price: 0.2%

Laundry & Home Care

Key Financials 1-9/2018

Sales in €m, OSG[1] in %

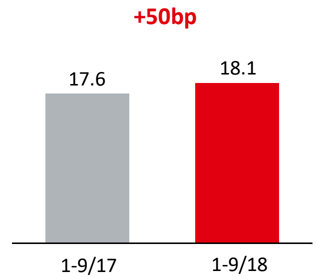


Regional Performance

Mature Markets: slightly negative, due to North America

Emerging Markets: significant growth, driven by Middle East / Africa and Eastern Europe

EBIT Margin Adj. in %



[1] Volume: 0.6% Price: 1.0%